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BARFLEX POLYFILMS

BARFLEX POLYFILMS LIMITED

CIN: U25209DL2005PLC132346

Our Company was originally incorporated on January 24, 2005 as a Private Limited Company as "Hitkari Polyfilms Private Limited" under the provisions of the Companies Act, 1956 with the Registrar of Companies, NCT of Delhi and Haryana. Subsequently, the name of our Company was changed from 'Hitkari Polyfilms Private Limited' to 'Barflex Polyfilms Private Limited' and a fresh Certificate of Incorporation consequent to change in name dated June 30, 2005, was issued by the Registrar of Companies, NCT of Delhi and Haryana. Pursuant to a Special Resolution of our Shareholders passed in the Extraordinary General Meeting held on December 26, 2023 our Company was converted from a private limited company to a public limited company and consequently the name of our Company was changed to 'Barflex Polyfilms Limited', and a fresh Certificate of Incorporation dated February 22, 2024 was issued to our Company by the Registrar of Companies, NCT of Delhi and Haryana. The Corporate Identification Number of our Company is U25209DL2005PLC132346. For further details of incorporation and change in Registered Office of our Company, please refer to section titled 'Our History and Certain Other Corporate Matters' beginning on page 122 of this Draft Red Herring Prospectus.

Registered Office: A-33, Third Floor, FIEE Complex, Okhla Industrial Area, Phase-II, Near C Lal Chowk, New Delhi-110020;

Tel: +91- 9810021106; E-mail: info@barflex.co.in; Website: www.barflex.co.in;

Contact Person: Ms. Deepshikha Mittal, Company Secretary and Compliance Officer

OUR PROMOTERS: MR. JAIWANT BERY AND MRS. NOMITA BERY

ADDENDUM TO THE DRAFT RED HERRING PROSPECTUS DATED JULY 19, 2024:

NOTICE TO THE INVESTORS ("THE ADDENDUM")

PUBLIC ISSUE OF UPTO 65,69,875 EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH ("EQUITY SHARES") OF BARFLEX POLYFILMS LIMITED (THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (THE "ISSUE PRICE") AGGREGATING TO ₹ [●] LAKH ("THE ISSUE") COMPRISING OF A FRESH ISSUE OF UPTO 20,53,000 EQUITY SHARES AGGREGATING TO ₹ [●] LAKH (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UPTO 45,16,875 EQUITY SHARES BY THE PROMOTER SELLING SHAREHOLDERS ("OFFER FOR SALE") AGGREGATING TO ₹ [●] LAKH OF WHICH UPTO 3,35,000 EQUITY SHARES AGGREGATING TO ₹ [●] LAKH WILL BE RESERVED FOR SUBSCRIPTION BY MARKET MAKER TO THE ISSUE (THE "MARKET MAKER RESERVATION PORTION"). THE ISSUE LESS THE MARKET MAKER RESERVATION PORTION I.E. NET ISSUE OF UPTO 62,34,875 EQUITY SHARES AGGREGATING TO ₹ [●] LAKH (THE "NET ISSUE"). THE ISSUE AND THE NET ISSUE WILL CONSTITUTE [●] % AND [●] % RESPECTIVELY OF THE POST ISSUE PAID UP EQUITY SHARE CAPITAL OF OUR COMPANY.

Potential Bidders may note the following:

The Chapter titled **"Risk Factors"** beginning on page 22 of the Draft Red Herring Prospectus has been updated to amend the details mentioned in "Risk Factors" section of this Addendum;

The Chapter titled **"Capital Structure"** beginning on page 60 of the Draft Red Herring Prospectus has been updated to amend the details mentioned in "Capital Structure" section of this Addendum;

The Chapter titled **"Objects to the Issue"** beginning on page 72 of the Draft Red Herring Prospectus has been updated to amend the details mentioned in "Objects to the Issue" section of this Addendum;

The Chapter titled **"Our Business"** beginning on page 97 of the Draft Red Herring Prospectus has been updated to amend the details mentioned in "Our Business" section of this Addendum;

The Chapter titled **"Our Promoters & Promoter Group"** beginning on page 142 of the Draft Red Herring Prospectus has been updated to amend the details mentioned in "Our Promoters & Promoter Group" section of this Addendum;

The Chapter titled **"Management Discussion And Analysis of Financial Position and Results of Operations"** beginning on page 177 of the Draft Red Herring Prospectus has been updated to amend the details mentioned in "Management Discussion and Analysis of Financial Position and results of Operations" section of this Addendum;

The Chapter titled **"Government and other Statutory Approvals"** beginning on page 191 of the Draft Red Herring Prospectus has been updated to amend the details mentioned in "Government and other Statutory Approvals" section of this Addendum;

The Chapter titled **"Other Regulatory and Statutory Disclosures"** beginning on page 199 of the Draft Red Herring Prospectus has been updated to amend the details mentioned in "Other Regulatory and Statutory Disclosures" section of this Addendum;

The Chapter titled **"Issue Procedure"** beginning on page 216 of the Draft Red Herring Prospectus has been updated to amend the details mentioned in "Issue Procedure" section of this Addendum.

Please note that all other details in, and updates to the Red Herring Prospectus/ Prospectus with respect to issue price and/or other relevant details will be carried out in the Red Herring Prospectus/Prospectus, as and when filed with RoC, SEBI and the Stock Exchange.

The above is to be read in conjunction with the Draft Red Herring Prospectus and accordingly their references in the Draft Red Herring Prospectus stand amended pursuant to this Addendum. The information in this Addendum supplements the Draft Red Herring Prospectus and updates the information in the Draft Red Herring Prospectus, as applicable. However, this Addendum does not reflect all the changes that have occurred between the date of filing of the Draft Red Herring Prospectus and the date hereof and accordingly does not include all the changes and/or updates that will be included in the Red Herring Prospectus/Prospectus. Please note that all other details / information included in the Draft Red Herring Prospectus will be suitably updated, including to the extent stated in this Addendum, as may be applicable, in the Red Herring Prospectus/Prospectus, as and when filed with the RoC, SEBI and the Stock Exchange. Investors should not rely on the Draft Red Herring Prospectus or this Addendum for any investment decision, and should read the Red Herring Prospectus/Prospectus, as and when it is filed with the RoC, SEBI, and the Stock Exchange before making an investment decision with respect to the Issue. All capitalized terms used in this Addendum shall, unless the context otherwise requires, have the meaning ascribed to them in the Draft Red Herring Prospectus.

On behalf of Barflex Polyfilms Limited
Sd/-

Place: New Delhi

Date: October 30, 2024

Ms. Deepshikha Mittal

Company Secretary & Compliance Officer

BOOK RUNNING LEAD MANAGER

REGISTRAR TO THE ISSUE

almondz
the game changer

Maashitla
Creating Successful People

ALMONDZ FINANCIAL SERVICES LIMITED

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Email: merchantbanker@almondz.com;

Website: www.almondzfinancial.com

Investor Grievances: investorgrievance@almondz.com

SEBI Registration Number: INM000012971

Contact Person: Sonali Rathi

CIN: U74110DL2008PLC183702

MAASHITLA SECURITIES PRIVATE LIMITED

451, Krishna Apra Business Square, Netaji Subhash Place, Pitampura,

Delhi – 110034 Tel: +91-11-45121795-96

E-mail: ipo@maashitla.com;

Website: www.maashitla.com

SEBI Registration: INR000004370

Contact Person: Mukul Agarwal

CIN: U67100DL2010PTC208725

ISSUE PROGRAMME

ANCHOR INVESTOR BIDDING DATE:

[●]

BID/ISSUE OPENS ON: [●]

BID/ISSUE CLOSES ON: [●]

Our Company in consultation with the Book Running Lead Managers, may consider participation by Anchor Investors in accordance with the SEBI ICDR Regulations. The Anchor Investor Bid / Issue Period shall be one Working Day prior to the Bid/Issue Opening Date. Our Company may, in consultation with Book Running Lead Manager, consider closing the Bid/ Issue Period for QIBs one Working Day prior to the Bid/Issue Closing Date, in accordance with SEBI (ICDR) Regulations.

TABLE OF CONTENT

CONTENT	PAGE NO.
RISK FACTORS.....	3
CAPITAL STRUCTURE.....	7
OBJECTS OF THE ISSUE.....	9
OUR BUSINESS.....	10
OUR PROMOTERS & PROMOTER GROUP.....	13
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS.....	14
OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS.....	15
GOVERNMENT AND OTHER STATUTORY APPROVALS.....	16
OTHER REGULATORY AND STATUTORY DISCLOSURES.....	17
ISSUE PROCEDURE.....	18

RISK FACTORS

11. We failed to meet our export obligations in the past.

During the period 2005-2010, we imported several machines as our Company had plans to export the goods made from such machines, they were imported against customs duty free licenses with export commitments to be fulfilled in subsequent years. A total of 8 licenses were obtained and the total customs duty saved was ₹ 229.41 lakhs.

We were able to fulfill export obligation of the first five licenses within the due date and after providing the export data to the DGFT, the department discharged the Export Obligation Discharge Certificates (EODC) for those 5 licenses. The export obligations on the later three licenses were not met on time hence the DGFT created a demand on our Company against all 3 licenses. In respect of two licenses i.e. EPCG License no. 0530144805 dated 16.10.2007 and EPCG License no. 0530154079 dated 26.11.2010, our Company completed majority of its export obligations but could not meet its entire 100% export obligations on account of not getting enough export orders due to global recession. In FY2023-24, DGFT offered an amnesty scheme for companies who had not fulfilled the earlier export obligations. We availed benefit of the amnesty scheme and made payment to customs department of ₹ 17.30 lakhs on April 1, 2024. The said amount alongwith our bank guarantee of ₹ 15.50 lakhs (which was already encashed by the custom department) aggregating to ₹ 32.80 lakhs is considered as full discharge of liability against EPCG license number 0530144805. We paid custom duty on April 1, 2024 under the amnesty scheme of ₹ 0.233 lakhs against EPCG license no. 0530154079 as full discharge of liability. After payment of the custom duties, the papers have been submitted to DGFT for release of EODC in relation to these two licenses on April 1, 2024 and the same is now awaited. As regard to our third license no. 0530145308 dated 01.01.2008, we have completed export obligations but had not submitted desired documents with DGFT due to oversight. Subsequently, DGFT offered an “Amnesty Scheme for one time settlement by advance and EPCG authorization holders” dated April 1, 2023, in which we submitted proof of export including deemed exports and now awaiting EODC. In case of non-acceptance of our application or issuance of any adverse order by DGFT in any of these matter(s), our financial operations could be adversely impacted to that extent.

20. Underutilization of capacity of our facility may adversely affect our business, results of operations and financial conditions.

Set forth below is the detail of total existing installed, utilized and processing capacity of our manufacturing unit for the last three years:

(in Metric Ton)

Particulars	As at March 31, 2024	As at March 31, 2023	As at March 31, 2022
Installed Capacity			
Unit-I	2400	2400	2400
Unit-II	3000	3000	3000
Total	5400	5400	5400
Production volume including wastage			
Unit-I	2355	2283	2295
Unit-II	2263	2107	1804
Total	4618	4390	4099
Capacity Utilization (%)			
Unit-I	98.13	95.13	95.63
Unit-II	75.43	70.23	60.13
Total	85.52	81.30	75.91
Unit-III			
Installed Capacity	360	360	360
Production volume	250	253	202
Capacity Utilization (%)	69.44	70.28	56.11

We are almost at optimum capacity utilization for Unit-I & II. At Unit-III, we manufacture only PVC sleeves, where capacity utilization is around 70% during the past two years.

We cannot assure that we shall be able to utilize our facility to their full capacity or up to an optimum capacity, and non-utilization of the same may lead to loss of profits or can result in losses, and may adversely affect our

business, results of operations and financial condition. Even use of the proposed production capacity is subject to several variables like availability of raw material, power, proper working of machinery, orders on hand, supply / demand, manpower, etc.

21. We have not spent certain allocated portions of our profits towards CSR, as required under the Companies Act, 2013. Failure to do so in future, may subject us to penalties, and have an adverse effect on our reputation, financial condition, cash flows and results of operations.

The Companies Act, 2013 mandates that the Board of Directors ensure that we spend, in each Fiscal, at least two percent of our average net profits during the three immediately preceding Fiscals. Accordingly, we are required to spend an amount of ₹ 15.27 lakhs during FY21, ₹ 13.43 lakhs during FY22 and an amount of ₹ 17.14 lakhs during FY23, which we spent during FY23 aggregating to ₹ 42.21 lakhs. During FY24, we spent an amount of ₹ 32.30 lakhs against our requirement of ₹ 21.09 lakhs. Therefore, there has been a delay in spending the amount for Fiscal 2021 & 2022, as mandated under the Companies Act, 2013 which was later met in FY2023 and FY2024. Currently, there has been an excess amount of CSR spend of Rs. 7.58 lakhs. As per the provisions of Companies Act, 2013 the penalty for not spending CSR expenditure is twice the amount required to be transferred by the Company to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account, as the case may be, or one crore rupees, whichever is less. Further, every officer on default shall be liable to a penalty of one-tenth of the amount required to be transferred by the Company to such Fund specified in Schedule VII, or the Unspent Corporate Social Responsibility Account, as the case may be, or two lakh rupees, whichever is less.

As on date, there was no default in CSR spend by the Company. Since there has been no provision of monetary penalty in case of delayed spending, the amount of penalty cannot be quantified. Any penalty imposed under the Companies Act, 2013 for any delay or non-compliance with the CSR requirements, could adversely affect our cash flows, reputation and business.

23. Any non-compliance or delays in payment of EPF may expose us to penalties/ demurrages from the regulators

We are required to make EPF payment with the regulatory authorities. However, there are certain inadvertent delays in relation to late payment EPF in the past for which the Company have paid the penalties/demurrages amounting to Rs. 7,742, details of which are as under:

S. No	Wage Month	Due Date	Presentation Date	Delay (in Days)	Penalties/Demurrages paid (Rs.)			
					Unit I Baddi, H.P.	Unit II Baddi, H.P.	Noida, U.P.	Total
1	May-17	15-Jun-17	21-Jun-17	6	388	161	9	558
2	Jul-17	15-Aug-17	16-Aug-17	1	65	26	3	94
3	Sep-17	15-Oct-17	16-Oct-17	1	75	25	3	103
4	May-18	15-Jun-18	18-Jun-18	3	238	71	18	327
5	Aug-18	15-Sep-18	20-Sep-18	5	416	-	-	416
6	Nov-18	15-Dec-18	17-Dec-18	2	163	48	7	218
7	Dec-18	15-Jan-19	16-Jan-19	1	81	23	7	111
8	Jun-19	15-Jul-19	16-Jul-19	1	87	23	3	113
9	May-21	15-Jun-21	18-Jun-21	3	252	75	11	338
10	Jun-21	15-Jul-21	17-Jul-21	2	172	60	8	240
11	Jan-23	15-Feb-23	09-Mar-23	22	134	82	-	216
12	Jul-23	15-Aug-23	14-Nov-23	91	-	5,008	-	5,008
			Total		2,071	5,602	69	7,742

We have taken steps to improve the internal system for payment of EPF and have also implemented system of maker-checker policy and delegated this to specific qualified person so that such type of delays will not occur in future. However, we cannot assure that we will not be subject to any legal proceeding or regulatory actions, including monetary penalties by statutory authorities on account of any inadvertent discrepancies in our EPF payment in future, which may adversely affect our reputation and goodwill.

24. Any non-compliance or delays in GST Return filings may expose us to penalties from the regulators

As a Company, we are required to file GST returns with the respective authorities. However, there are certain inadvertent delays in relation to filing of GST returns in the past. These delays were primarily due to technical issues and administrative errors, amongst others. We have taken steps to improve the internal system for filing of GST returns and have also implemented system of maker-checker policy and delegated this to specific qualified person so that such type of delays will not occur in future. The details of such delays are as under:

Unit: Baddi, Himachal Pradesh

Financial Year	Return Month	Due Date	Date of filing	Number of days delayed
2021-2022	April	20 May 2021	21 May 2021	1
2020-2021	May	24 June 2020	25 June 2020	1
2019-2020	July	20 August 2019	22 August 2019	2
	September	20 October 2019	24 October 2019	4
	October	20 November 2019	22 November 2019	2
	December	20 January 2020	22 January 2020	2
2018-2019	July	20 August 2018	29 September 2018	40
	August	20 September 2018	22 October 2018	32
	September	20 October 2018	25 October 2018	5
	January	20 February 2019	21 February 2019	1
	March	20 April 2019	22 April 2019	2
2017-2018	July	20 August 2017	25 September 2017	36
	August	20 September 2017	03 October 2017	13
	September	20 October 2017	24 October 2017	4
	December	20 January 2018	22 January 2018	2
	January	20 February 2018	26 February 2018	6
	February	20 March 2018	22 March 2018	2
	March	20 April 2018	03 May 2018	13

Unit: Noida, Uttar Pradesh

Financial Year	Return Month	Due Date	Date of filing	Number of days delayed
2024-2025	April	20 May 2024	25 May 2024	5
2021-2022	April	20 May 2021	26 May 2021	6
2020-2021	June	20 July 2020	01 August 2020	12
	August	20 September 2020	21 September 2020	1
2019-2020	August	20 September 2019	21 September 2019	1
2018-2019	January	20 February 2019	21 February 2019	1
2017-2018	October	20 November 2017	09 December 2017	19
	March	20 April 2018	27 April 2018	7

We have been levied interest on late payment of interest on GST amount for an aggregate amount of Rs. 1.93 lakhs for the period July, 2017 to March, 2020 which was paid by us on September 27, 2021.

In addition, the following were instances of delay in filing of GSTR1:

Year	Baddi		Noida	
	Total no. of returns	no. of delayed instances	Total no. of returns	no. of delayed instances
2017-18	9	9	6	6
2018-19	12	10	4	4
2019-20	12	8	12	4
2020-21	12	4	5	5

2021-22	12	-	12	8
2022-23	12	-	12	6
2023-24	12	-	12	2
2024-25	6	-	1*	1

*The Company has surrendered its GST Registration for its Noida Unit in April 2024.

We cannot assure you that we will not be subject to any legal proceeding or regulatory actions, including monetary penalties by statutory authorities on account of any inadvertent discrepancies in our GST filing or payment in future, which may adversely affect our business, financial condition, and reputation.

32. Our continued operations are critical to our business and any shutdown of our manufacturing unit may adversely affect our business, results of operations and financial condition.

Our existing and proposed manufacturing units are located in the state of Himachal Pradesh. As a result, any local social unrest, natural disaster or breakdown of services and utilities in these areas could have material adverse effect on the business, financial position and results of our operations. Our manufacturing units are subject to operating risks, such as breakdown or failure of equipment, power supply or processes, performance below expected levels of efficiency, obsolescence, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. There has been no past instance wherein the operations of the Company were at halt due to breakdown or failure of equipment, power supply or processes, performance below expected levels of efficiency, obsolescence, natural disasters, industrial accidents etc.

In such event(s), we will be forced to shut down our manufacturing units for a prolonged period; and it would adversely affect our earnings, our other results of operations and financial condition as a whole. In addition to the above if any of our manufacturing units suffer losses as a result of any industrial accident, we may be forced to shut down our manufacturing units which could result in us being unable to meet with our commitments, which will have an adverse effect on our business, results of operation and financial condition. We cannot assure you that we will not experience work disruptions in the future resulting from any dispute with our employees or other problems associated with our employees and the labor involved in our manufacturing units, which may hinder our regular operating activities and lead to disruptions in our operations, which could adversely affect our business, prospects, financial condition, cash flows and results of operations.

45. Our Company requires high working capital and our inability in future to maintain sufficient cash flow, working capital facilities from banks or other sources of funding, in a timely manner, or at all, to meet requirement of working capital, could adversely affect our operations.

Currently, we are not enjoying any working capital facilities from any bank, and manages its working capital from its internal accruals. However, in future we will be requiring working capital for our expansion needs. The working capital gap (i.e. change of current assets over current liabilities) during last three years have been as under:

(Rs. in lakhs)

	FY 2022	FY 2023	FY 2024
Current Assets:			
Trade Receivables	1170.77	1444.29	1416.80
Inventories	1351.87	813.54	1033.70
Current Liabilities:			
Trade Payables	457.27	374.42	465.00
Working Capital gap	2065.37	1883.41	1985.50

The working capital gap has been on the positive side and has remained at almost the same level of around Rs. 1900-2000 lakhs. Further, 37.32%, 45.86% and 67.93% of our current assets comprises of trade receivables and inventories for the fiscal year ended March 31, 2024, 2023 and 2022. These percentages mentioned represent percentage of total current assets to trade receivables and inventories. The percentages show a decreasing trend and reason of the downtrend in the %age was increase in investment in securities and cash balances. We cannot assure that our Company will be able to effectively manage its trade receivables in future. Any such failure in management of trade receivables could result into bad debts, delays in recoveries and / or write-offs which could lead to a liquidity crunch, thereby adversely affecting our business and results of operations. A liquidity crunch may also result in case of increased working capital borrowings and, consequently, higher finance cost which will adversely impact our profitability. We may be subject to working capital risks due to delays or defaults in payment by clients, which may restrict our ability to procure raw materials and make payments when due.

CAPITAL STRUCTURE

Summary of Shareholding Pattern

The table below represents the shareholding pattern of our Company in accordance with Regulation 31 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as on the date of this Draft Red Herring Prospectus:

Summary of Shareholding Pattern

Sr. No.	Category of shareholder	Nos. of share holders	No. of fully paid-up equity shares held	No. of Partly paid-up equity shares held	No. of shares underlying Depository Receipts	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C)	Number of Voting Rights held in each class of securities ¹				No. of Shares Underlying Outstanding convertible securities (including Warrants)	Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) As a % of (A+B+C2)	Number of Locked in shares ³		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
								No of Voting Rights			Total as a % of (A+B+ C)			No. (a)	As a % of total Shares held (b)	No. (a)	As a % of total Shares held (b)	
								Class Equity Shares of ₹ 10/- each ²	Class Y	Total								
I	II	III	IV	V	VI	VII = IV+V+VI	VIII	IX				X	XI=VII+X	XII		XIII		XIV
(A)	Promoter & Promoter Group	2	2,10,30,336	-	-	2,10,30,336	92.66%	2,10,30,336	-	2,10,30,336	92.66%	-	92.66%	-	-	-	2,10,30,336	
(B)	Public	7	16,66,664	-	-	16,66,664	7.34%	16,66,664	-	16,66,664	7.34%	-	7.34%	-	-	-	16,66,664	
(C)	Non-Promoter-Non-Public	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(C1)	Shares underlying DRs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(C2)	Shares held by Emp. Trusts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Total	9	2,26,97,000	-	-	2,26,97,000	100.00%	2,26,97,000	-	2,26,97,000	100.00%	-	100.00%	-	-	-	2,26,97,000	

Point No. 9

We confirm that none of the public shareholders are related to directors/ promoters/ promoter group/ group companies/ any other entities controlled or influenced by the promoters or directors of our Company, in any capacity whatsoever.

OBJECTS OF THE ISSUE

Detailed breakup of the use of the proceeds-Land

Land

Our Company currently has three manufacturing units, and one godown/store located at Plot No. 17, 15 & 16, Industrial Area Barortiwala, Baddi, District Solan, Himachal Pradesh. We are planning to expand our operations from new location, which has been identified at Village Bated, Haripur Road, Barotiwala, Baddi, District Solan, Himachal Pradesh, having plot size of around 7,000 sq.mtrs. (over 75,000 sq.ft.) and is around one km from our existing location of Unit-I & II. The legal owner of the land located at Village Bated, Haripur Road, Barotiwala, Baddi, District Solan, Himachal Pradesh is Mr. Virender Bansal and the Company have agreed upon the initial/indicative terms through an informal memorandum of understanding dated May 22, 2024. Based on the said understanding, it was agreed that the lease rental would be ₹ 16.5 per sq. ft. per month (for 45,000 sq. ft approx.) for a period of 12 months from the date of occupation and will have rental escalation clause of 8% every year from first rent. Further, it was agreed that the premises will be handed over sometime in November 2024 as it is not required before arrival of machines and the Company need not pay rent for the period, the premises is not in use. The land has necessary industrial shed and office block building ready for usage. We do not intend to incur any major expenditure on construction of building/factory shed, therefore, the cost has not been considered in the total expansion project.

Our Promoters, Directors and Key Managerial Personnel do not have any interest in lease of the abovementioned land.

OUR BUSINESS

Our Business Strategies

Expand our existing product portfolio

We have been in the flexible packaging market for the past 19 years. We are currently engaged in manufacturing of 3-layer films, 5-layer films, 5-layer pouches, laminate pouches, BOPP labels, 2 ply laminate film, 3 ply laminate film and 4 ply laminate film and serving a variety of industries including FMCG, adhesive, processed foods, engineering, pharmaceutical and cosmetic, and others. We at present are running at our optimum capacity utilization and with an intent to expand its product portfolio, we plan for expansion. We intend to diversify our product portfolio which could cater to customers across segments, sectors, and geographies. In accordance with this, while we seek to continue to strengthen our existing product portfolio, we intend to further diversify into products with prospects for increased growth and profitability. We plan to continue to increase offerings in our current business segments as well as diversify into new products by tapping into segments which in the view of our management have growth prospects. We are planning to tap into the market with demand of 7-layer COEX film, woven PP bags and e-commerce and retail bags. The 7-layer technology gives additional flexibility in product development and enhances product performance. We have already acquired clients for 7-layer films which are serviced by outsourcing the 7-layer films and printing in-house. However, to expand the market share it is imperative our Company has in-house facility to manufacture 7-layer films so that the cost is optimised, and customer service is assured. For 7-layer COEX film machine, the order has been placed with Mamata Machinery Limited, Ahmedabad on August 14, 2024, the delivery is anticipated by February 2025 and installation is expected to be completed by the month of March 2025.

Our Company has significant customer base of manufacturers of cereals such as flour, rice, etc. These customers pack their consumer packs in laminates which are presently supplied by our Company. In addition, for their bulk packaging application, they use WPP bags. It is presently not possible to outsource WPP bags and therefore our Company will offer WPP bags to their existing client base after commencing commercial production of WPP bags. Our Company has placed order and advance amount given to Zhejiang Jianda Machinery Co. Ltd., China in January, 2024 and delivery is expected by December 2024 and installation will be completed by the month of January 2025.

We also plan to invest in bag making machines to make bags for the e-commerce industry, which is rapidly expanding. With the addition of new products, we believe that we will be able to widen our presence in the flexible packaging market.

Our Company can procure orders for WPP bags and e-commerce bags only after we have in-house manufacturing facilities. In respect of e-commerce and retail bags machine, we have yet to place order for plant & machinery, as the machine delivery time is only 45-60 days therefore, our Company believes this can be ordered later on. The machines shall be installed in the new unit towards the end of December 2024, the orders will therefore, be placed by end of September /October, 2024.

The entire installation of plant & machinery is expected to be completed by December 2024 to March 2025 and trial runs begin from January 2025 to March 2025.

Capacity and capacity utilization

Set forth below is the detail of the total existing installed, utilized and processing capacity of our manufacturing units for the last three years.

(in Metric Ton)

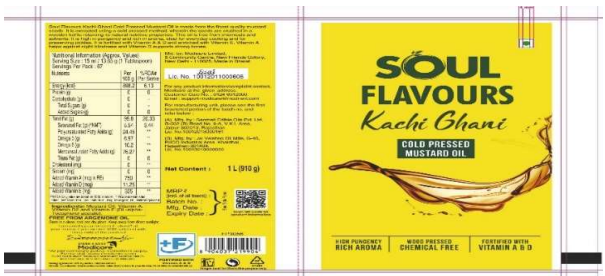
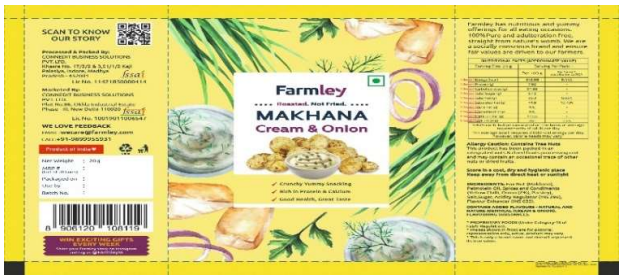
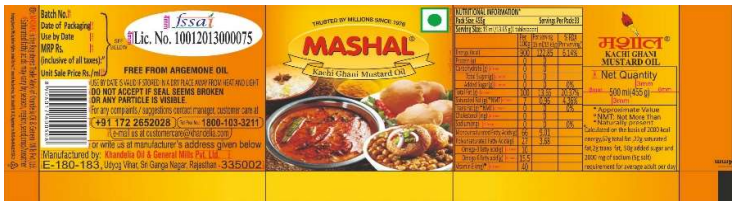
Particulars	As at March 31, 2024	As at March 31, 2023	As at March 31, 2022
Installed Capacity			
Unit-I	2400	2400	2400
Unit-II	3000	3000	3000
Total	5400	5400	5400
Production volume including wastage			
Unit-I	2355	2283	2295
Unit-II	2263	2107	1804
Total	4618	4390	4099
Capacity Utilization (%)			

Unit-I	98.13	95.13	95.63
Unit-II	75.43	70.23	60.13
Total	85.52	81.30	75.91
Unit-III			
Installed Capacity	360	360	360
Production volume	250	253	202
Capacity Utilization (%)	69.44	70.28	56.11

The above has been certified by Chartered Engineer Mr. Deepankar Sharma (SLA number 75202) vide his certificate dated July 1, 2024.

Our Products

Sample photographs of the products are as follows:

S. No.	Product	Sample Photo
1	3-layer films	
2	5-layer pouches	
3	4 ply laminates	
4	BOPP Labels	
5	PVC Shrink label	



Export and export obligation

Our export revenue for the fiscal ended on 2024, 2023 and 2022 is ₹ 222.09 lakhs, ₹ 254.42 lakhs and ₹ 84.74 lakhs, respectively and represented 2.01%, 2.33% and 0.91% of our revenue from operations, respectively. Further, we have no export obligations as on the date of this Red Herring Prospectus except the following:

- During the period 2005-2010, we imported several machines as our Company had plans to export the goods made from such machines, they were imported against customs duty free licenses with export commitments to be fulfilled in subsequent years. A total of 8 licenses were obtained and the total customs duty saved was ₹ 229.41 lakhs. We were able to fulfill export obligation of the first five licenses within the due date and after providing the export data to the DGFT, the department discharged the Export Obligation Discharge Certificates (EODC) for those 5 licenses. The export obligations on the later three licenses were not met on time hence the DGFT created a demand on our Company against all 3 licenses. In respect of two licenses i.e. EPCG License no. 0530144805 dated 16.10.2007 and EPCG License no. 0530154079 dated 26.11.2010, our Company completed majority of its export obligations but could not meet its entire 100% export obligations on account of not getting enough export orders due to global recession. In FY2023-24, DGFT offered an amnesty scheme for companies who had not fulfilled the earlier export obligations. We availed the benefit of the amnesty scheme and made payment to customs department of ₹ 17.30 lakhs on April 1, 2024. The said amount alongwith our bank guarantee of ₹ 15.50 lakhs (which was already encashed by the custom department) aggregating to ₹ 32.80 lakhs is considered as full discharge of liability against EPCG license number 0530144805. We paid custom duty on April 1, 2024 under the amnesty scheme of ₹ 0.232 lakhs against EPCG license no. 0530154079 as full discharge of liability. After payment of the custom duties, the papers have been submitted to DGFT for release of EODC in relation to these two licenses on April 1, 2024 and the same is now awaited. As regard to our third license no. 0530145308 dated 01.01.2008, our Company has completed export obligations but had not submitted desired documents with DGFT due to oversight. Subsequently, DGFT offered an “Amnesty Scheme for one time settlement of default in export obligation by advance and EPCG authorization holders” dated April 1, 2023, in which our Company submitted their proof of exports (including deemed exports) and now awaiting EODC.

OUR PROMOTERS & PROMOTER GROUP

Position as Director

Mrs. Nomita Bery was never appointed as director in Hitkari China Limited. However, Mr. Jaiwant Bery had been appointed as director in Hitkari China Limited for a period of only three months starting from January 17, 2005 and ended on April 9, 2005 in accordance with CLB Order dated January 17, 2005. Except this, they had never been appointed as director on the Board of Hitkari China Limited at any point of time.

Based on these submissions, BSE vide its email dated April 22, 2024 communicated to them that these regulations will not apply to them.

Further, Mrs. (late) Ambika Kapoor (mother of Mrs. Nomita Bery), Mrs. Ameeta Khanna (sister of Mrs. Nomita Bery), Mrs. Kavita Dhawan (sister of Mrs. Nomita Bery), and Mr.(late) Ved Kapoor (father of Mrs. Nomita Bery), transferred their entire shares held in Hitkari China Limited on August 20, 2005 and disassociated themselves from Hitkari China Limited.

Further, name of *Hitkari Industries Limited* was also mentioned in the list of '*Compulsory Delisted Companies*' in the BSE Notice dated August 21, 2017, however, the same was revoked on July 20, 2018 basis of clarification received from SEBI vide email dated July 19, 2018. Mr. Jaiwant Bery disassociated from Hitkari Industries Limited as he ceased to be the director with effect from January 17, 2005, and transferred his entire shareholding in 2005. Mrs. Nomita Bery was never appointed as director of Hitkari Industries Limited. She transferred her entire shareholding to Ajay Kapoor Group in 2005 and disassociated herself from Hitkari Industries Limited.

Mr. Jaiwant Bery was not the promoter and shareholder of Hitkari Potteries Limited. He ceased to be director with effect from April 9, 2005. Mrs. Nomita Bery was never appointed as director of Hitkari Potteries Limited. She transferred her entire shareholding in 2005 and disassociated herself from Hitkari Potteries Limited.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Results of operations

The revenue from operations during FY 2024, FY 2023 and FY 2022 is ₹ 11,023.36 Lacs, ₹ 10,917.07 Lacs and ₹ 9,349.72 Lacs respectively. This represents increase of 16.76% during FY2023 and 0.97% during FY2024. The Company has been operative on its optimum capacity utilisation during FY 2024, FY 2023 and FY 2022 for Unit I & II which is 85.52%, 81.30% and 75.91% respectively. In Unit III, currently, only PVC sleeves are manufactured and capacity utilisation during FY 2024, FY 2023 and FY 2022 was 69.44%, 70.28% and 56.11% respectively for Unit III. Further, though the installed capacity of all Units is higher (i.e. 5760 MT per annum), the Company is operating at optimum capacity of 83.47% (i.e. 4808 MT per annum) which is constraint by product mix and customer order size.

Profit after tax:

Our profit after tax increased from ₹ 1013.07 lakhs in FY23 to ₹ 1643.04 lakhs in FY24. This increase of 62.19% was mainly on account of decrease in raw material prices. The total consumption of raw material during FY24 was ₹ 7527.83 lakhs as against ₹ 7876.46 lakhs during FY23. There are very few public domains which discloses the raw material prices. The major raw material used in the manufacturing process of Company are Metallocene Linear Low Density Polyethylene (mLLDPE), Liner Low Density Polyethylene (LLDPE), Low-density polyethylene (LDPE), inks, adhesives, BOPP, nylon, solvent & chemicals, etc. The mLLDPE, LLDPE & LDPE together constitute more than 50% of total primary raw material cost, is dependent on the prices of LLDPE (code F19010; Depot: Baddi, Himachal Pradesh) which are available on the website at www.plastemart.com. As per the said website, the cost of raw material in April, 2023 was Rs. 1,09,240 per ton and in March, 2024 it was Rs. 1,00,720 per ton i.e. change of around 8%. The highest price of LLDPE during the year was Rs. 1,09,240 per ton and the lowest price during the year was Rs. 91,710 per ton i.e. variation of around 16.04% which is considered substantial. The prices of polyester films (12 microns) have reduced during the same period by around 6% and is available on the website at www.plastemart.com. The price in April, 2023 was Rs. 102 per kg and reduced to Rs. 94 per kg by March, 2024. The prices of other raw materials viz. inks, adhesives, solvent & chemicals, aluminium foil etc. have not reduced significantly during the same period.

The benefit of the reduction in prices of LLDPE & polyester films were not passed on to the customers, which give rise to increase in profit after tax. A pictorial graph of LLDPE prices during the year is as under:



Source: <https://www.plastemart.com/polymer-pricelist>

The other major reason was increase in profit on sale of investment to the extent of ₹ 504.74 lakhs. Our Company earned total other income of Rs. 586.22 lakhs during FY2024 as compared to Rs. 123.69 lakhs during FY2023. Out of this income, Rs. 504.74 lakhs in FY2024 and Rs. 32.36 lakhs during FY2023 was on account of profit on sale of investment in the stock market/mutual funds.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

In respect of two licenses i.e. EPCG License no. 0530144805 dated 16.10.2007 and EPCG License no. 0530154079 dated 26.11.2010, our Company completed majority of its export obligations but could not meet its entire 100% export obligations on account of not getting enough export orders due to global recession. In FY2023-24, DGFT offered an amnesty scheme for companies who had not fulfilled the earlier export obligations. We availed benefit of the amnesty scheme and made payment to customs department of ₹ 17.30 lakhs on April 1, 2024. The said amount alongwith our bank guarantee of ₹ 15.50 lakhs (which was already encashed by the custom department) aggregating to ₹ 32.80 lakhs is considered as full discharge of liability against EPCG license number 0530144805. We paid custom duty on April 1, 2024 under the amnesty scheme of ₹ 0.233 lakhs against EPCG license no. 0530154079 as full discharge of liability. After payment of the custom duties, the papers have been submitted to DGFT for release of EODC in relation to these two licenses on April 1, 2024 and the same is awaited. As regard to our third license no. 0530145308 dated 01.01.2008, our Company has completed export obligations but had not submitted desired documents with DGFT due to oversight. Subsequently, DGFT offered an “Amnesty Scheme for one time settlement of default in export obligation by advance and EPCG authorization holders” dated April 1, 2023, in which our Company submitted their proof of exports (including deemed exports) and now awaiting EODC.

GOVERNMENT AND OTHER STATUTORY APPROVALS

Business Operations Related Approvals

*The Company was incorporated on January 24, 2005, received Certificate of Commencement of Commercial Production on March 01, 2006, and applied for the Registration and license to work a factory on May 8, 2006, which was received and was valid up to 31 December 2008. After that, the factory license was renewed each year. Till the year 2011, the registration and renewal process were manual, which later on shifted to an online portal. The last renewal was valid up to December 31, 2023 and the current years' registration is valid up to December 31, 2024.

We confirm that all the approvals for existing units are in place except for the ones which have been applied and are pending for approval.

Unit III commenced its commercial production with effect from 22nd October, 2008. Consequently, the Company received Entrepreneur's Memorandum Part II from Office of Deputy Director Industries, Single Window Clearance Agency, Department of Industries, Himachal Pradesh.

As per the provisions of Section 2(m)(i) of the Factories Act, 1948 "*whereon ten or more workers are working, or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on with the aid of power, or is ordinarily so carried on*".

Since number of employees in Unit III remained below 10 upto March, 2023 the clause was not applicable to Unit III. Unit III crossed its threshold limit of the number of employees in March, 2023 and applied for Factory License to the Department of Labour and Employment, Himachal Pradesh on 14 March, 2023. As per the current status of the application, the blueprint of the factory unit is approved and required fees has been deposited and the License is expected shortly.

All the statutory provisions of Factories Act, 1948 were complied by the Company in the past in its Unit III. We further confirm that the Company at present is in compliance with the provisions of Factories Act, 1948.

Approvals or Licenses Applied But Not Received

* Himachal Pradesh State Pollution Control Board has granted Registration Certificate for Producer under Plastic Waste Management Rules, 2016 for Unit I and Unit II having registration number PR-29-HIM-09-AABCH5209E-22. This registration process was effective from April, 2022 and is a PAN based registration. Later on, after obtaining clarification from the department, it was advised to apply separately for Unit III as well, which our Company did on June 21, 2024. Unit III holds a valid consent to operate which is valid till March 31, 2025.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Disclaimer from our Company, our Directors and the Book Running Lead Manager

We confirm that none of the promoter/promoter group/public shareholders of our Company is related to Merchant banker in any way directly or indirectly including any related party transactions, shareholder, etc.

We further confirm that merchant banker is not related to the Company in any manner directly or indirectly other than as a Lead manager/market maker.

ISSUE PROCEDURE

Allotment Procedure And Basis Of Allotment

The Allotment of Equity Shares to Bidders other than Retail Individual Investors and Anchor Investors may be on proportionate basis. For Basis of Allotment to Anchor Investors, Bidders may refer to Red Herring Prospectus. No Retail Individual Investor will be Allotted less than the minimum Bid Lot subject to availability of shares in Retail Individual Investor Category and the remaining available shares, if any will be Allotted on a proportionate basis. In the event of under subscription in the Issue, the obligations of the Underwriters shall get triggered in terms of the Underwriting Agreement. The Minimum subscription of 100% of the Issue size shall be achieved before our company proceeds to get the basis of allotment approved by the Designated Stock Exchange.

Flow of Events from the closure of Bidding period (T DAY) Till Allotment:

- On T Day, RTA to validate the electronic bid details with the depository records and also reconcile the final certificates received from the Sponsor Bank for UPI process and the SCSBs for ASBA and Syndicate ASBA process with the electronic bid details.
- RTA identifies cases with mismatch of account number as per bid file / FC and as per applicant's bank account linked to depository demat account and seek clarification from SCSB to identify the applications with third party account for rejection.
- Third party confirmation of applications to be completed by SCSBs on T+1 day.
- RTA prepares the list of final rejections and circulate the rejections list with BRLM(s)/ Company for their review/comments.
- Post rejection, the RTA submits the basis of allotment with the Designated Stock Exchange (DSE).
- The DSE, post verification approves the basis and generates drawal of lots wherever applicable, through a random number generation software.
- The RTA uploads the drawal numbers in their system and generates the final list of allottees as per process mentioned below.

Process for generating list of Allottees: -

- Instruction is given by RTA in their Software System to reverse category wise all the application numbers in the ascending order and generate the bucket /batch as per the allotment ratio. For example, if the application number is 78654321 then system reverses it to 12345687 and if the ratio of allottees to applicants in a category is 2:7 then the system will create lots of 7. If the drawal of lots provided by Designated Stock Exchange (DSE) is 3 and 5 then the system will pick every 3rd and 5th application in each of the lot of the category and these applications will be allotted the shares in that category.
- In categories where there is proportionate allotment, the Registrar will prepare the proportionate working based on the oversubscription times.
- In categories where there is undersubscription, the Registrar will do full allotment for all valid applications.
- On the basis of the above, the RTA will work out the allottees, partial allottees and non- allottees, prepare the fund transfer letters and advice the SCSBs to debit or unblock the respective accounts.

Basis of allotment

c. For QIBs

For the Basis of Allotment to Anchor Investors, Bidders/Applicants may refer to the SEBI (ICDR) Regulations or Red Herring Prospectus / Prospectus. Bids received from QIBs Bidding in the QIB Category (net of Anchor Portion) at or above the Issue Price may be grouped together to determine the total demand under this category.

d. ALLOTMENT TO ANCHOR INVESTOR (IF APPLICABLE)

- a) Allocation of Equity Shares to Anchor Investors at the Anchor Investor Allocation Price will be at the discretion of the Issuer, in consultation with the Book Running Lead Manager, subject to compliance with the following requirements:
 - i. not more than 60% of the QIB Portion will be allocated to Anchor Investors;
 - ii. one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors; and
 - iii. allocation to Anchor Investors shall be on a discretionary basis and subject to:

- a maximum number of two Anchor Investors for allocation up to ₹ 2 crores;
- a minimum number of two Anchor Investors and maximum number of 15 Anchor Investors for allocation of more than ₹ 2 crores and up to ₹ 25 crores subject to minimum allotment of ₹ 1 crores per such Anchor Investor; and
- in case of allocation above twenty-five crore rupees; a minimum of 5 such investors and a maximum of 15 such investors for allocation up to twenty-five crore rupees and an additional 10 such investors for every additional twenty five crore rupees or part thereof, shall be permitted, subject to a minimum allotment of one crore rupees per such investor.

b) A physical book is prepared by the Registrar on the basis of the Anchor Investor Application Forms received from Anchor Investors. Based on the physical book and at the discretion of the Issuer, in consultation with the Book Running Lead Manager, selected Anchor Investors will be sent a CAN and if required, a revised CAN.

c) In the event that the Issue Price is higher than the Anchor Investor Allocation Price:

Anchor Investors will be sent a revised CAN within one day of the Pricing Date indicating the number of Equity Shares allocated to such Anchor Investor and the pay-in date for payment of the balance amount. Anchor Investors are then required to pay any additional amounts, being the difference between the Issue Price and the Anchor Investor Allocation Price, as indicated in the revised CAN within the pay-in date referred to in the revised CAN. Thereafter, the Allotment Advice will be issued to such Anchor Investors

(d) In the event the Issue Price is lower than the Anchor Investor Allocation Price:

Anchor Investors who have been Allotted Equity Shares will directly receive Allotment Advice.

e) Basis of Allotment for QIBs (other than Anchor Investors) and NIIs in case of Over Subscribed Issue:

- If the proportionate allotment to a Bidder works out to a number that is not a multiple of [●] equity shares, the Bidder would be allotted Shares by rounding off to the nearest multiple of [●] equity shares subject to a minimum allotment of [●] equity shares.